

Message Text

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41

ACTION EUR-12

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E.O. 11652: N/A

TAGS: EFIN, ETRD, HU

SUBJ: TAX CONVENTION NEGOTIATIONS

1. U.S. DELEGATION FINISHED MOST USEFUL AND FRUITFUL ONE-WEEK SESSION FRIDAY, SEPT 24; HUNGARIAN NEGOTIATORS WERE FORTHCOMING AND HELPFUL. THE FIRST TWO DAYS WERE SPENT ON DETAILED EXPLANATION OF HUNGARIAN AND AMERICAN TAX SYSTEMS; THERE WAS MUCH TO BE LEARNED ON BOTH SIDES. USING THE U.S. MODEL AS A GUIDE THE TWO SIDES BY THE END OF THE WEEK SUCCEEDED IN OUTLINING A JOINT DRAFT, WITH THE EXCEPTION OF SEVERAL POINTS.
2. MAGYARS WERE INVITED TO WASHINGTON FOR CONCLUDING ROUND, BUT APPEARED RELUCTANT TO ACCEPT. BOTH SIDES AGREED THAT U.S. WOULD SEND HUNGARIANS DRAFTS OF TREATY AND NOTE. HUNGARIAN SIDE IN TURN WILL SEND TREASURY DEPARTMENT LIST OF QUESTIONS TO BE ANSWERED. IT IS OBVIOUS THAT HUNGARIANS ARE ANXIOUS TO CONCLUDE DISCUSSIONS BUT DO NOT WISH TO TRAVEL TO WASHINGTON.
3. COMMENT: HUNGARIAN MINISTRY OF FINANCE TUFICIAL AKAR PRAISED SKILL AND ABILITY OF AMERICAN SIDE PRIVATELY TO ECONOFF AND ALSO TO WHITE HOUSE DEPUTY ECONOMIC ADVISOR GOROG, WHO WAS CONCURRENTLY IN BUDAPEST. AKAR TOLD ECONOFF THAT HUNGARIANS HOPED TO CONCLUDE THE MATTER WITHIN A FEW MONTHS, AND THAT MINISTER OF

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FINANCE FALUVEGI WOULD SIGN ON BEHALF OF HUNGARIANS.

MOST LIKELY REASON FOR MAGYAR RELUCTANCE TO CONCLUDE
DISCUSSIONS IN WASHINGTON IS THAT OUTSIDE OF BUDAPEST
NO HUNGARIAN NEGOTIATORS HAVE AUTHORITY. IT WOULD BE
PAINFULLY OBVIOUS THAT WHOEVER VISITED WASHINGTON
COULD MAKE NO MAJOR DECISIONS, AND WOULD NEVER BE ABLE
TO OBTAIN CLEARANCE FOR TECHNICAL CHANGES IN A TIMELY
MANNER.
HARDY

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